

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Six)

Docket No. RM2017-10

PUBLIC REPRESENTATIVE RESPONSE TO
REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE

(September 26, 2017)

I. BACKGROUND

The Postal Service provided its reply comments on September 22, 2017.¹ The Postal Service indicated that the purpose of its filing was to address the comments of the Public Representative. *Id.* at 1. The Public Representative appreciates the Postal Service's attention to the concerns expressed in the initial comments.² However, the Public Representative still feels obliged to reply to the Postal Service Comments since they raise issues worth further clarification on the record. Having by separate motion dated today requested leave to respond, the Public Representative hereby submits the response to the Postal Service Comments.

II. MAIL PROCESSING COST MODEL

Discussing the Mail Processing Cost Model, the Postal Service clarified the reasons why the Parcel Select Lightweight (PSLW) machinable and irregular volume data should not be aggregated in the 'Volumes' worksheet. Postal Service Comments at 2. The Public Representative finds the explanation sufficient. Addressing the Public Representative's questions regarding the Full Network price category, the Postal

¹ Reply Comments of the United States Postal Service Regarding Proposal Six, September 22, 2017 (Postal Service Comments). *See also* Motion of the United States Postal Service for Leave to File Reply Comments Regarding Proposal Six, September 22, 2017.

² See Public Representative Comments, September 15, 2017 (PR Comments).

Service provides some additional information that appears useful. *Id.* at 3-4. While addressing other concerns or questions raised by the Public Representative regarding the proposed modifications, the Postal Service explains that they have been made to “correct an oversight and improve the analysis.” *Id.* at 3. The Postal Service also maintains that “the accuracy of the model’s contents” have been recently “reviewed and verified.” *Id.* at 4.

The Public Representative concludes that the Postal Service has responded to all major concerns regarding the Mail Processing Cost model. PR Comments at 3-6. However, considering the complexity of the proposed modifications, it appears quite possible that the model still contains certain discrepancies.³

III. TRANSPORTATION COST MODEL

Responding to the Public Representative’s concern regarding the unclear definition of three different types of travel (long-distance, intermediate and local), the Postal Service describes local, intermediate and long-distance costs. Postal Service Comments at 5. Although the Postal Service did not include any source with its description, the Public Representative compared it with the description of different types of Highway contracts (IntraSCF, InterSCF, IntraNDC and InterNDC) as they are provided in TRACS documentation.⁴ It appears that local costs are primarily associated with IntraSCF contracts, long-distance costs with InterNDC contracts, and intermediate costs with any contract types except IntraSCF. A connection between four contract types and three types of travel actually exists under the current methodology, and this is confirmed by the Postal Service. See Responses to CHIR No. 1, Question 11. However, under the proposed methodology, long-distance travel and long-distance

³ Thus, question 1 of the Chairman’s Information Request No. 3 (issued September 25, 2017) seeks clarification on the Mail Processing Cost model. See Chairman’s Information Request No. 3 and Notice of Filing Under Seal, September 25, 2017.

⁴ Compare Postal Service Comments at 5 with Docket No. ACR 2016, Library Reference USPS-FY16-36, file “USPS_FY16_36_TRACS.pdf” - Transportation Cost System (TRACS) Documentation at 5-6.

costs might be associated with any highway contract type. *Id.* Although neither the current nor the proposed methodology for designating a mail piece as long-distance or non-long-distance incorporates actual distances between facilities, the current methodology seems to be more rational since it ties the type of travel to the contract type(s). An expansion of long-distance travel and long-distance costs is not only unjustified, as stated in the PR Comments, but would likely require a change in the definitions of highway transportation contracts, which is beyond Proposal Six.

The Public Representative is also not convinced that the newly calculated ‘unexpected transportation costs’ accurately reflect operational realities. The Public Representative remains concerned that the underlying methodology employs incorrect assumptions, such as inadequately high long-distance percentages. PR Comments at 8-10. Another example of an unjustified and rough assumption is an application of the same percentage of long-distance (unexpected) transportation legs for calculating transportation costs for different rate categories (for both Parcel Select and Parcel Return Service).⁵ Inaccurately employed assumptions would result in incorrectly estimated Parcel Select/Parcel Return Service transportation costs.

IV. CONCLUSION

The Public Representative respectfully submits the foregoing response for the Commission’s consideration.

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⁵ See Library Reference USPS-RM2017-10/NP2, file “Prop.6.ChIR.1.NP16,” worksheet ‘Cost Dist PS,’ cells D21, D25 and D29 and worksheet ‘Cost Dist PRS,’ cells D18 and D22.